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STATE FOR NEA/ELA, NEA/IPA

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TAGS: [ENRG](#) [ECON](#) [PREL](#) [EG](#) [IS](#)
SUBJECT: EGYPTIAN GAS EXPORTS TO ISRAEL: STILL IN TESTING
PHASE; GAZA VIOLENCE STIRRING MB OPPOSITION

Classified by Minister-Counselor for Economic and Political
Affairs William R. Stewart for reasons 1.4 (b) and (d).

¶1. (C) SUMMARY AND COMMENT: The El Arish - Ashkelon gas pipeline is still in the testing phase, but should be ready for full-scale exports "very soon." Continued violence in Gaza will increase the opposition's calls to scrap gas exports to Israel, as well as increasing the issue's resonance among average Egyptians. While we do not expect the current level of public outcry to impact the GOE's support for the deal, it certainly puts Minister of Petroleum Sameh Fahmy, and the GOE more broadly, in an uncomfortable position. Those in favor of maintaining fuel subsidies and limiting the export orientation of the Egyptian petroleum sector will also latch onto the issue to advance their position. END SUMMARY AND COMMENT.

¶2. (C) Commenting on recent reports in the regional and international media indicating that Egypt has begun exporting natural gas to Israel, Mohamed Tawila, Managing Director of the Eastern Mediterranean Gas (EMG) consortium told us on March 2 that the El Arish - Ashkelon pipeline is still in the testing phase and that full-scale exports have yet to commence. He said they are "very close," but he is reluctant to predict when testing of the pipeline and end-user connections will be completed. Previous GOE statements and press reports point to March 2008 for the start of full-scale exports; however Tawila would not confirm this, saying that the testing can be a "lengthy process."

¶3. (SBU) Reports of gas exports to Israel, concurrent with the escalation of violence in Gaza, have renewed Egyptian opposition calls to scuttle the deal. Prominent Egyptian Muslim Brotherhood (MB) member Essam al-Arian commented in the local press that "the timing is outrageous...how can Egypt sell gas to Israel when Palestinians in Gaza are being deprived of fuel, food, and medicine," while MB parliamentarian Hamdi Hassan told a People's Assembly session that "exporting gas to Israel is a crime" and demanded that the Minister of Petroleum halt the project. The GOE has kept public statements on the exports to a minimum, but aggressive pro-government newspaper Rose el Youssef described the exports, along with the Arab Gas Pipeline and regional electrical interconnections, as an indication that Egypt was becoming a regional hub for energy distribution.

¶4. (SBU) Some business sectors that have traditionally benefited from Egypt's provision of cheap natural gas to industry, but are now facing cuts to their entitlement as Egypt whittles away its fuel subsidies, are also publicizing their opposition to the deal. The Egyptian Chamber of Chemical Industries, for one, has called for the halting of gas exports to Israel in light of the Gaza crisis -- and its

desire to see Egypt's gas reserves employed to support local
industry.
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